

against any amount owed to the borrower as an income tax refund.

(vi) Refer the borrower's account to a private collection agency to collect the amount due.

(vii) Refer the borrower's account to the Department of Justice for litigation in the courts.

(20) A certification, signed by the president of the borrower, that the borrower is participating in the State's telecommunications modernization plan (for additional information concerning the plan, see 7 CFR part 1751, subpart B). This certification is not required if the borrower is seeking a guaranteed loan.

All of the actions in paragraph (a)(19) of this section can and will be used to recover any debts owed when it is determined to be in the interest of the Government to do so. The notification and the required form of certification in paragraph (a)(19) of this section are included on RUS Form 490, Application for Telephone Loan or Guarantee.

(b) The following must be submitted by all initial loan applicants and borrowers seeking subsequent loans:

(1) Certified financial statements for the last 3 years.

(2) Toll settlement statements and related data.

(3) Present exchange rates and any pending changes.

(4) Borrower's Environmental Report (BER)—See 7 CFR part 1794.

(5) A "Certification Regarding Lobbying" for loans, or a "Statement for Loan Guarantees and Loan Insurance" for loan guarantees, and when required, an executed Standard Form LLL, "Disclosure of Lobbying Activities," (see section 319, Public Law 101–121 (31 U.S.C. 1352)).

(6) Executed copy of Form AD–1047, "Certification Regarding Debarment, Suspension, and Other Responsibility Matters—Primary Covered Transactions" (see appendix A to 7 CFR part 3017).

(7) Borrower's determination of loan maturity, including information noted in §1735.43(a) of this chapter as required.

(8) Approved depreciation rates for items under regulatory authority jurisdiction.

(9) A statement that the borrower is or is not delinquent on any Federal debt, such as income tax obligations or a loan or loan guarantee from another Federal agency. If delinquent, the reasons for the delinquency must be explained and RUS will take such explanation into consideration in deciding whether to approve the loan. RUS Form 490, "Application for Telephone Loan or Guarantee," contains a section for providing the required statement and any appropriate explanation.

(10) Any other supporting data required by the Administrator.

(c) The following must be submitted for all borrowers requesting funds for refinancing:

(1) Copies of all bonds, notes, mortgages, and contracts covering outstanding indebtedness proposed to be refinanced.

(2) For each note or bond, the name of the creditor, original amount of debt and amount as of last year-end, purpose of debt, dates incurred and due, interest rates, and repayment terms.

(3) Justification for refinancing and evidence that the use of loan funds is necessary and incidental to furnishing or improving rural telephone service. See 7 CFR 1735.21.

(d) Borrowers requesting loan funds for acquisitions should refer to RUS bulletins 320–4, 321–2, 325–1, and 326–1 for requirements.

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§§ 1737.23–1737.29 [Reserved]

Subpart D—Preloan Studies—Area Coverage Survey and Loan Design

§ 1737.30 General.

In support of a loan application, the borrower shall prepare and submit to RUS: (a) A market forecast to determine service requirements (the Area Coverage Survey) and (b) engineering studies to determine the system design that provides service most efficiently (the Loan Design). The RUS field representative confers with the borrower

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and its engineer to schedule the completion and submission of these studies.

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§ 1737.31 Area Coverage Survey (ACS).

(a) The Area Coverage Survey (ACS) is a market forecast of service requirements of subscribers in a proposed service area.

(b) The objective of the ACS is to determine the location, number and telephone service requirements of subscribers in a service area. RUS will use the ACS to appraise the proposed plan for area coverage and to determine the largest practical number of rural subscribers which can be served on an economically feasible basis. Preparation of the ACS requires:

(1) A field survey of the service area to locate and identify on maps all business and residential establishments, whether currently served or not. The location and identification of future establishments are also recorded on the maps.

(2) A forecast of the number of telephone subscribers, in the entire service area, by exchange, grade and class of service, projected for the end of the 5-year study period.

(c) The results of the survey and forecast shall be:

(1) Shown on maps (maps for those service areas previously financed by RUS do not have to be included in the ACS provided that the borrower's records contain sufficient information as to subscriber development to enable cost estimates for the proposed facilities to be prepared);

(2) Tabulated on RUS Form 569 "Area Coverage Survey Report," or its equivalent; and

(3) supported by a narrative (see § 1737.32(f)(1)(ii)) containing information on the bases for the service requirement forecasts in each exchange.

(d) Guidelines on preparing an ACS are provided in RUS Telecommunications Engineering and Construction Manual section 205.

(e) The RUS field representative reviews and approves the borrower's ACS. The borrower should make sure this is done before proceeding with the Loan Design in order to prevent unne-

cessary expense should the ACS not be approved. The borrower's engineer must use the RUS-approved ACS in preparing the Loan Design.

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§ 1737.32 Loan Design (LD).

(a) A loan application requires supporting data collectively called a "Loan Design." The LD contains a forecast of service requirements and a narrative with supporting exhibits. Most of the items included in the LD are similar for all loan applications. However, as noted below, there are certain additional requirements for initial loans and for any exchange areas not previously financed by RUS, and other additional requirements for subsequent loans for areas previously financed by RUS. The LD must conform to the borrower's state telecommunications modernization plan unless the borrower is seeking a guaranteed loan (for additional information concerning the plan, see 7 CFR part 1751, subpart B).

(b) Because of the importance and complexity of the engineering studies necessary for the LD, it should be prepared by a competent experienced telecommunications engineer. While the LD is subject to RUS approval, the borrower's selection of an engineer to perform preloan work is not. Note: The borrower's selection of an engineer to perform postloan work is subject to RUS approval. This should be considered when selecting a preloan engineer, if the same individual or company is to perform both services. See 7 CFR 1753.17.

(c) An LD for initial loans or for any exchange areas not previously financed by RUS requires an Outside Plant Design that provides:

(1) The most economical and practical design for a telephone system that meets immediate service demands; and

(2) The basis for orderly expansion of the system to serve the widest practical number of rural establishments.

(d) The LD for a subsequent loan (which only includes areas previously financed by RUS) does not require a detailed Outside Plant Design. The detailed Outside Plant Design for these subsequent loans may be completed for